

Message Text

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ACTION NEA-10

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TAGS : EAID, EIND, BG

SUBJECT : BANGLADESH ECONOMIC OUTLOOK: HIGHLIGHTS

1. AT OCTOBER 10 MEETING OF LOCAL DONOR'S GROUP, IBRD MISSION ECONOMIST OFFERED SUCCINCT REVIEW OF ECONOMIC OUTLOOK. RES REP HAS AGREED PROVIDE NOTES FOR THIS INFORMAL PRESENTATION WHICH WE PLAN TRANSMIT BY AIRGRAM. FOLLOWING ARE HIGHLIGHTS OF PRESENTATION.

2. FOOD AND FERTILIZER. COMBINATION OF DONOR-PROVIDED OR FINANCED FOOD IMPORTS OF 1.6 TO 1.8 MILLION TONS PLUS DOMESTIC PRODUCTION OF TARGETED 12.9 MILLION TONS EXPECTED TO BRING PER CAPITA FOOD PRODUCTION IN FY 76 TO HIGHEST POST-INDEPENDENCE LEVEL. IN ADDITION TO GOOD WEATHER CONDITIONS TO DATE AND ABSENCE SUCH CALAMITY AS FLOODS, MAJOR FACTOR EXPLAINING OPTIMISTIC FOOD PRODUCTION OUTLOOK WAS IMPROVED FERTILIZER SUPPLY AND DISTRIBUTION SITUATION. ACCORDING TO IBRD FIELD REPORTS OF FERTILIZER DISTRIBUTION SYSTEM, LAST MONTH'S LIBERALIZATION IS HAVING SOME BENEFICIAL EFFECTS IN GETTING THE FERTILIZER TO THE FARMER.

3. JUTE AND EXPORT OUTLOOK. GROWERS PLANTED ONLY 1.2 MILLION ACRES, LOWEST EVER, TO JUTE IN 1975. BUT EXTREMELY FAVORABLE

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WEATHER CONDITIONS PRODUCED ESTIMATED 4.5 MILLION BALE CROP,

UP FROM LAST YEAR'S 3.9 MILLION BALES. LARGE CARRYOVER STOCKS WOULD PROVIDE MORE THAN SUFFICIENT SUPPLY FOR DOMESTIC MILLS AND TWO MILLION BALE EXPORT TARGET. KEY FACTOR IN LONG TERM OUTLOOK WOULD CONTINUE TO BE JUTE/RICE PRICE RELATIONSHIP. AT PRESENT IT WAS UNCERTAIN WHETHER MINIMUM 90 TAKA PER MAUND PRICE WAS HIGH ENOUGH TO REVERSE DECLINE IN JUTE ACREAGE AND IN ANY CASE IT WAS APPARENT TO IBRD THAT FARMERS WERE NOT IN FACT RECEIVING THIS PRICE. ON JUTE GOODS SIDE, DEVALUATION WOULD GREATLY REDUCE MILLS OPERATING LOSSES. EARLY ESTIMATE OF TAKA 277 MILLION LOSS BY BANGLADESH JUTE INDUSTRIES CORPORATION DURING 75/76 NOW APPEARED TO BE CONSIDERABLE OVERESTIMATION, I.E., LOSS WILL BE MUCH LOWER. WHILE JULY TO SEPTEMBER EXPORT SALES OF RAW JUTE AND JUTE GOODS WERE ABOOA LEVELS OF PRECEDING SIX MONTHS, THEY WERE STILL UNSATISFACTORY, JEOPARDIZING ACHIEVEMENT OF MODEST 75/76 OVERALL EXPORT TARGET.

4. AID OUTLOOK. DONORS HAD RESPONDED AT JUNE BANGLADESH AID GROUP MEETING TO CALL FOR \$800 MILLION IN DISBURSEMENTS FROM NEW AID COMMITMENTS IN FY 76 WITH AN ESTIMATED \$580 MILLION (EXCLUDING DRAWINGS FROM IMF). LATEST OUTLOOK WAS FOR LARGER THAN EXPECTED DRAWDOWNS FROM AID NOW IN PIPELINE AND GREATER THAN EXPECTED DISBURSEMENTS FROM OTHER DONORS. THOSE FACTORS PERSUADE IBRD THAT TOTAL FY 76 DISBURSEMENT TARGET OF 1.2 BILLION APPEARS ACHIEVABLE.
BOSTER

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